

Good afternoon, and thank you for taking the time to learn firsthand how spiraling health care costs are affecting the citizens and businesses of this state.

My name is Dean Schultz, and I'm here today as Chairman of the Board of Directors of the Eau Claire Area Chamber of Commerce. I'm also a businessman here in Eau Claire, and one of the responsibilities I have in my position is oversight of our employee benefit programs – including health benefits for our 400 employees.

I suspect that nothing I say here today will be new to you. We residents and businesses of the Chippewa Valley aren't unique, we're experiencing the same challenges in dealing with rapidly escalating health care costs as the rest of the state and nation.

In a recent survey the Eau Claire Chamber conducted of our members, the most often-cited concern of business was health care costs – even more often than taxes. In a recent roundtable discussion we held with manufacturers, a significant portion of the discussion dealt with management of health care costs. I can hardly attend a business function these days without the topic coming up.

And while escalating costs are a concern to local businesses, the effects are more far-reaching, for they affect the very quality of life of Wisconsin's residents and the competitiveness of Wisconsin businesses.

In the Chippewa Valley:

- We're seeing that small companies and individual owners can't qualify for group insurance.
- We're seeing that many other companies can't obtain affordable insurance for their employees.
- We're seeing that virtually every employer is shifting more costs to employees through increased deductibles and co-pays and reduced coverage.
- And we're seeing that an increasing number of employers are dropping health benefits entirely, leaving employees to fend for themselves.

There are a number of adverse impacts resulting from these trends:

First, as Wisconsin companies are hit with 20% - 50% annual increases in health care costs, they become less competitive. Less competitive businesses don't prosper, if they survive at all. We can't afford to let Wisconsin become a less competitive place to do business.

Second, as more employers drop coverage, more people will be uninsured, resulting in increased reliance on state and federally subsidized assistance, such as Badger Care. We all know that the

government's reimbursement rates provided to care givers don't begin to cover their actual costs – therefore those folks who are insured must pick up the difference, raising their costs by 40% ~~to 80%~~ over actual cost. Forcing even more people to subsidized programs will only exacerbate this situation.

Third, as employers shift costs to employees because they can't absorb such increases, everyone ends up with less disposable income. That means choices for many people – do we spend our dollars on health care or our children's education; health care or needed consumer goods which drive our economy; or, in much more serious instances, do we spend those dollars on health care or food. It quickly becomes a quality of life issue.

Finally, when Wisconsin businesses are less competitive, and when Wisconsin's quality of life begins to decline, how are we going to stop the brain drain that takes our best and brightest out-of-state, to more attractive places to work and live?

What to do. That's the question. It's not going to be easy and it's not going to be painless for either businesses or individuals. We are already among the highest taxed states in the country, so more government subsidies aren't the answer.

A few observations where legislative action makes a difference:

Tort reform caps on non-economic damages in malpractice claims have helped Wisconsin control health care costs – don't let those caps be eroded.

Imposing new or expanded health insurance coverage mandates will only force more employers to shift more costs to employees or eliminate health care benefits completely. You must not mandate additional coverage.

Legislation must not shift more health care costs to employers and cause us to be less competitive, including cost shifting from government assisted programs to private insureds.

In closing, let me say that employers want to provide comprehensive health coverage for their employees. That's one tool we have to attract and retain quality employees. But we can't remain competitive and absorb these astronomical increases. Anything you can do to help mitigate these increases will pay long term dividends for all of Wisconsin's citizens.

Thanks for listening.